Introduction

Your William D. Ford Federal Direct Loans (Direct Loans) were made to you by the U.S. Department of Education through your school. These loans have been, and will continue to be, managed by the U.S. Department of Education's Direct Loan Servicing Center. The Servicing Center will answer any questions you have about your loans and about repaying them. Simply call 1-800-848-0979.

This booklet can help you understand the different repayment plans and help you choose the one that is best for you.

The figures used in the examples, charts, and worksheets in this booklet are estimates based on current program guidelines. Some dollar amounts have been rounded to the nearest whole dollar. For exact payment amounts on your loans, call the Servicing Center.

Repaying Your Loans

When you took out your Direct Loans, you promised to repay them. The Department wants to make it easy for you to keep that promise.

The Direct Loan Program offers loan repayment plans designed to meet the needs of almost every borrower, and the program allows you to switch plans if your needs change. And the Direct Loan Servicing Center staff will help you manage your loans until they are paid in full.

Understanding the Repayment Plans

Student borrowers may repay their Federal Direct Stafford/Ford Loans (Direct Subsidized Loans) and Federal Direct Unsubsidized Stafford/Ford Loans (Direct Unsubsidized Loans) through one of four repayment plans:

- Standard Repayment Plan
- Extended Repayment Plan
- Graduated Repayment Plan
- Income Contingent Repayment (ICR) Plan

Parent borrowers may repay their Federal Direct PLUS Loans (Direct PLUS Loans) through the Standard, Extended, or Graduated Repayment Plan. The Income Contingent Repayment Plan is not available to Direct PLUS Loan borrowers.

Whichever repayment plan you choose will cover all of your Direct Loans. An exception is made for parent borrowers who are repaying Direct PLUS Loans they took out for their children and student loans they took out for themselves; they may use different repayment plans to repay their parent and student loans.

Shortly before your loan repayment period begins, the Servicing Center will send you information about the various repayment plans (including the amount you would pay under each plan) and ask you to select one. If you do not select a plan, your loans automatically will be placed in the Standard Repayment Plan.

The interest rate on all Direct Loans is variable and is adjusted each July 1; by law, it can never go above 8.25 percent for students' Direct Subsidized and Unsubsidized Loans or above 9 percent for parents' Direct PLUS Loans. For the period July 1, 1995, to June 30, 1996, the interest rate for Direct Subsidized and Unsubsidized Loans was 8.25 percent, and the interest rate for Direct PLUS Loans was 8.98 percent. Generally, your monthly payment will be adjusted to account for changes in the annual interest rate. Your selection of a repayment plan does not affect your interest rate.

Note that the length of your repayment period does not include periods of deferment or forbearance (postponements of repayment). (See the Glossary on page 18 for definitions of these terms.)

Standard Repayment Plan

With the Standard Plan, you'll pay a fixed amount each month until your loans are paid in full. Your monthly payments will be at least $50, and you'll have up to 10 years to repay.

The Standard Plan is a good plan for you if you can handle higher monthly payments, because you'll repay your loans more quickly. Your monthly payments will be higher than with the other plans because your loans will be repaid in the shortest possible time. For the same reason—the 10-year limit on repayment—you may pay the least interest.

Example A: Let's say you owe $15,000 in Direct Subsidized Loans when your repayment period begins and your loans will be repaid at an 8.25 percent interest rate. Under the Standard Plan, you'll pay about $184 a month for 10 years, and you'll repay a total of about $22,080 ($15,000 in principal and $7,080 in interest).

Example A

This example shows Direct Subsidized Loans repaid at 8.25 percent interest under the Standard Repayment Plan for 10 years (120 payments).

Loan Amount	Beginning Monthly Payment	Total Amount Repaid
$15,000	$184	$22,080*

*$15,000 in principal and $7,080 in interest

If you've borrowed Direct Unsubsidized Loans, you may have been paying the interest on your loans while you've been in school, or the interest may have been accumulating. When you enter repayment, any unpaid interest that accumulated while you were in school will be capitalized. Capitalization means the unpaid interest is added to the principal of your loan. This increases the total amount you owe when your repayment period begins and, thus, increases the total amount on which interest is charged.

Example B: You borrowed $15,000 in Direct Unsubsidized Loans to attend school ($2,000 your first year, $3,000 your second year, and $5,000 in each of your third and fourth years). Because you chose not to pay the interest on your loans as it accumulated, the interest was capitalized when your repayment period began. At an interest rate of 8.25 percent, the amount of capitalized interest added to your original balance was $2,717, making the total principal balance of your loans $17,717. Your monthly payments will be calculated using this amount. At 8.25 percent interest, your monthly payments will be about $217 a month under the Standard Plan. You will repay a total of about $26,040 ($17,717 in original principal and capitalized interest and $8,323 in additional interest).

Example B

This example shows Direct Unsubsidized Loans (with capitalized interest) repaid at 8.25 percent interest under the Standard Repayment Plan.

Loan Amount	Capitalized Interest	Principal to Be Repaid	Monthly Payment	Number of Payments	Total Repayment
$15,000	$2,717*	$17,717	$217	120	$26,040**

*Interest was capitalized once, when the borrower entered repayment

**$17,717 in principal and capitalized interest and $8,323 in additional interest

Extended Repayment Plan

Under the Extended Plan, you'll still have minimum monthly payments of $50, but you can take from 12 to 30 years to repay your loans. The length of your repayment period will depend on the total amount you owe when your loans go into repayment. (See the table on the next page.)

This is a good plan if you think you'll need to make smaller monthly payments. Because the repayment period generally will be at least 12 years, your monthly payments will be less than with the Standard Plan. However, you will end up paying more in interest because you're taking longer to pay back the loans. **Remember, the longer the loans are in repayment, the more interest you will pay.**

Example C: With $15,000 in Direct Subsidized Loans, an 8.25 percent interest rate, and a repayment period of 15 years, you'll pay about $146 a month. By the end of the 15 years, you will have paid a total of about $26,280 ($15,000 in principal and $11,280 in interest).

Graduated Repayment Plan

With this plan, your payments start out low, then increase, generally every two years. The length of your repayment period will depend on the total amount you owe when your loans go into repayment. (See the table on the next page.)

This plan might be right for you if you expect your income to increase steadily over time. Your initial monthly payments will be

Example C

This example shows Direct Subsidized Loans repaid at 8.25 percent interest under the Extended Repayment Plan for 15 years (180 payments).

Loan Amount	Beginning Monthly Payment	Total Amount Repaid
$15,000	$146	$26,280*

*$15,000 in principal and $11,280 in interest

Graduated/Extended Repayment Table

Amount of Debt	*Length of Repayment Period May Not Exceed*
Less than $10,000	12 years
$10,000 - $19,999	15 years
$20,000 - $39,999	20 years
$40,000 - $59,999	25 years
$60,000 or more	30 years

equal to ***either*** the interest that accumulates on your loans between payments ***or*** half of the payment you would make each month using the Standard Plan, ***whichever is greater***. However, your monthly payments will never increase to more than 1.5 times what you would pay with the Standard Plan.

Example D: Let's say you owe $15,000 in Direct Subsidized Loans when your loans enter repayment, and the interest rate on your loans is 8.25 percent. Under the Graduated Plan, your repayment period may be as long as 15 years, and you will start out paying about $105 each month on your loans. By the time you reach the last year of your repayment period, your monthly payments will have increased to about $238. In this example, you will repay a total of about $28,628 ($15,000 in principal and $13,628 in interest).

Example D

This example shows Direct Subsidized Loans repaid at 8.25 percent interest under the Graduated Repayment Plan for 15 years (180 payments).

Loan Amount	Beginning Monthly Payment	Ending Monthly Payment	Total Amount Repaid
$15,000	$105	$238	$28,628*

*$15,000 in principal and $13,628 in interest

Income Contingent Repayment Plan

This plan gives you the flexibility to meet your Direct Loan obligations without causing undue financial hardship. Each year, your monthly payments will be calculated on the basis of your annual income and the total amount of your Direct Loans. (Remember that parents may not use this plan to repay Direct PLUS Loans.)

To participate in the ICR Plan, you must sign a form that permits the Internal Revenue Service to inform the U.S. Department of Education of your income. This information will be used to calculate your monthly payment, which will be adjusted annually.

If your payments are not large enough to cover the interest that has accumulated on your loans, the unpaid interest will be capitalized once each year. If capitalization increases the total amount you owe to 10 percent more than the original amount you owed when you entered repayment, interest will continue to accumulate but will no longer be capitalized.

The maximum repayment period is 25 years. If you make payments under the Standard Plan or the 12-year Extended Plan and then switch to the ICR Plan, those periods are counted toward your 25-year repayment period. Earlier payment periods in other plans do not count toward the maximum 25 years. If you haven't fully repaid your loans after 25 years under this plan, the unpaid portion will be discharged. However, you will have to pay taxes on the amount that is discharged.

Changes to the ICR Plan

Effective July 1, 1996, there will be a new ICR Plan for borrowers who enter repayment after July 1, 1996, and for borrowers who switch from another repayment plan to the ICR Plan. Borrowers who are in repayment under the ICR Plan prior to July 1, 1996, will continue to make payments in accordance with the provisions of the old ICR Plan. However, they will be given the option to switch to the new plan. Calculating your monthly payment under the new plan involves a series of steps. These steps are explained in the following sections; the worksheet on page A-8 of the appendix to this booklet walks you through them.

You will pay an amount based on the Adjusted Gross Income (AGI) you report on your federal tax return, or, if you submit alternative documentation of income (see page 10), you will pay an amount based on your current income. If you're married, the amount you pay will be based on your income and your spouse's income.

New Formula

Under the new plan, you will pay the lesser of

1) the amount you would pay if you repaid your loan in 12 years multiplied by an income percentage factor that varies with your annual income

2) 20 percent of your discretionary income, which is your AGI minus the poverty level for your family size

Your monthly payments are calculated as follows:

Step 1: Determine monthly payments based on what you would pay over 12 years using equal monthly installments. To do this, multiply the principal balance by the constant multiplier for the interest rate on your loan. (See page A-2.) If the exact interest rate is not listed, choose the next highest rate for estimation purposes.

Step 2: Multiply the result by the income percentage factor that corresponds to your income. (See page A-3.) If your income is not listed, choose the income percentage factor that corresponds to the next highest income for estimation purposes.

Step 3: Next, calculate your discretionary income. One of the ICR Plan's protective measures is a cap on your monthly payments at 20 percent of your discretionary income. Discretionary income is the portion of income that remains after an allowance for basic costs of living is deducted. Use U.S. Department of Health and Human Services' poverty guidelines to determine these basic living costs. (See page A-4 for the Poverty Guidelines Chart.)

AGI-Poverty Guideline = Discretionary Income

Then use the following equation to figure your monthly payment as a portion of your discretionary income:

(Discretionary Income X .2) ÷ 12 = discretionary income payment calculation

Step 4: Compare the results of steps 2 and 3. Your payment will be the lesser of the result in step 2 or step 3.

Example E: You are a single borrower with a family size of one, and your prior year AGI was $15,000. You owe $15,000 in Direct Subsidized Loans when your repayment period begins, and the interest rate on your loans is 8.25 percent. Your beginning payment would be about $106 a month. This amount is less than 20 percent of your monthly discretionary income (which would be $121). In this example, you would repay your loans in about 25 years, and you would repay a total of $36,047 ($11,857 in principal and $24,190 in interest). Note that in this example, you would not repay the total principal amount. After 25 years, the remaining balance on the loan would be discharged.

Example E

This example shows a borrower with a family size of one and a $15,000 AGI. The borrower is repaying $15,000 in Direct Subsidized Loans at 8.25 percent interest under the ICR Plan. A 5 percent annual income growth is assumed. Your income may grow at a different rate, which would affect the amount of your monthly payment and total payment.

Loan Amount	Adjusted Gross Income	Beginning Monthly Payment	Number of Years in Repayment	Total Repayment
$15,000	$15,000	$106*	25	$36,047**

*Calculated as follows:

Step 1: Multiply the principal balance by the constant multiplier for 8.25% interest (.0109621). (For constant multipliers, see the chart on page A-2.)

0.0109621 x 15,000 = 164.4315

Step 2: Multiply the result by the income percentage factor that corresponds to the borrower's income. (For income percentage factors, see the chart on page A-3.)

64.58% (0.6458) x 164.4315 = $106

Step 3: Determine 20 percent of discretionary income. (See page A-4 for poverty guidelines chart.)***

[$15,000 - $7,740] x 0.20 ÷ 12 = $121

Step 4: Payment is the amount determined in step 2 because it is less than 20 percent of discretionary income.

***$11,857 in principal and $24,190 in interest*
****Poverty guideline for a family size of one*

Example F: You are a borrower with a family size of one, and your prior year AGI was $30,000. You owe $15,000 in Direct Subsidized Loans when your repayment period begins, and the interest rate on your loans is 8.25 percent. Based on your income, your beginning monthly payment would be $151. This amount is less than 20 percent of your monthly discretionary income (which would be $371). In this example, you would repay your loans in about 13 years and would repay a total of about $24,554 ($15,000 in principal and $9,554 in interest).

Alternative Documentation of Income

If you are in your first year of repayment, you will be required to submit alternative documentation of your current income (that is, other than IRS-reported AGI) to the Department. You will probably be required to submit alternative documentation in your second year of repayment also. Such documentation includes pay

Example F

This example shows a borrower with a family size of one and a $30,000 AGI repaying $15,000 in Direct Subsidized Loans at 8.25 percent interest under the ICR Plan.

Loan Amount	*Adjusted Gross Income*	*Beginning Monthly Payment*	*Number of Years in Repayment*	*Total Repayment*
$15,000	$30,000	$151*	13	$24,554**

*Calculated as follows:

Step 1: Multiply the principal balance by the constant multiplier for 8.25% interest (.0109621). (For constant multipliers, see the chart on page A-2.)
.0109621 x 15,000 = 164.4315

Step 2: Multiply the result by the income percentage factor that corresponds to the borrower's income. (For income percentage factors, see the chart on page A-3.)
92.09% (0.9209) x 164.4315 = $151

Step 3: Determine 20 percent of discretionary income.*** (See page A-4 for poverty guidelines chart.)
[$30,000 - $7,740] x 0.20 ÷ 12 = $371

Step 4: Payment is the amount determined in step 2 because it is less than 20 percent of discretionary income.

***$15,000 in principal and $9,554 in interest*

****Poverty guideline for a family size of one* stubs, canceled checks, or, if these are unavailable, a signed statement explaining your income sources. The reason for this requirement is that if you filed a tax return for years that included time you were in school (and probably not working full time), the AGI the Department would receive from the IRS would be unlikely to reflect your current income.

If you are not in your first or second year of repayment, you may still be required to submit alternative documentation of income if your AGI is not available or if your AGI does not reasonably reflect your current income. In addition, you may choose to submit alternative documentation of current income, if special circumstances, such as loss of employment for you or your spouse, warrant an adjustment to your monthly payment.

Please note that if you are married and submit alternative documentation of income for any of the reasons discussed above, you will also be required to submit alternative documentation for your spouse.

Minimum $5 Payment

Under the new plan, if your income is less than or equal to the poverty level for your family size, your monthly payment will be zero. If your calculated monthly payment is greater than zero but less than $5, you will be required to make a $5 monthly payment. If your monthly payment is calculated to be more than $5, you will be required to pay that calculated amount.

Information for Married Borrowers

The total AGI of both you and your spouse (if you have one) will be used to calculate your monthly payments under the ICR Plan. You will be required to provide your spouse's written consent to disclosure of tax return information. Further, if you submit alternative documentation of income (see page 10), you will be required to submit alternative documentation of your spouse's income.

If your spouse has a Direct Loan, you can repay your loans jointly. Your payment will be based on your joint debt and your joint income. While you are not required to repay your loans jointly, it is important to remember that if only one of you chooses to repay under the ICR Plan, the Department will use the AGI (or alternative documentation of income) of you and your spouse to determine the monthly payments.

Example G: You and your spouse want to repay your Direct Subsidized Loans under the ICR Plan. Your family size is two, and your joint prior year AGI was $25,000. You owe $10,000 in Direct Loans, and your spouse owes $5,000, for a total of $15,000 in loans. Based on your joint income and your outstanding balances, your beginning monthly payment would be $134. This amount is less than 20 percent of your monthly discretionary income (which would be $244). In this example, you and your spouse would repay your loans in about 16 years and would repay a total of about $26,732 ($15,000 in principal and $11,732 in interest).

Example G

This example shows a married couple with a family size of two and a $25,000 AGI. They are jointly repaying $15,000 in Direct Subsidized Loans ($10,000 for one spouse and $5,000 for the other) at 8.25 percent interest under the ICR Plan.

Loan Amount	*Adjusted Gross Income*	*Beginning Monthly Payment*	*Number of Years in Repayment*	*Total Repayment*
$15,000	$25,000	$134*	16	$26,732**

*Calculated as follows:

Step 1: Add the Direct Loan balances of the husband and wife together to determine the aggregate loan balance.
$5,000 + $10,000 = $15,000

Step 2: Multiply the principal balance by the constant multiplier for 8.25% interest (.0109621). (For constant multipliers, see the chart on page A-2.)
0.0109621 x 15,000 = 164.4315

Step 3: Multiply the result by the income percentage factor that corresponds to the joint income. (For income percentage factors, see the chart on page A-3.)
81.28% (0.8128) x 164.4315 = $134

Step 4: Determine 20 percent of discretionary income.*** (See page A-4 for poverty guidelines chart.)
[$25,000 - $10,360] x 0.20 ÷ 12 = $244

Step 5: Payment is the amount determined in step 3 because it is less than 20 percent of discretionary income.

***$15,000 in principal and $11,732 in interest*
****Poverty guideline for a family size of two*

Choosing a Plan

You might be wondering which repayment plan is best for you and your circumstances. The table on page 15 is a simple way to compare monthly payments under the four plans. The worksheets and charts in the appendix enable you to estimate your monthly payments under each of the repayment plans.

Remember that you don't necessarily want to choose a plan just because it has the lowest monthly payments. That may seem tempting, but it may not be the best course of action for every borrower. You may need more information about what you can afford before you select a plan.

Making a monthly budget can help you see what you can afford. A budget will show you what's coming in (income) and what's going out (expenses), as well as where it's going. It could show you that you can afford larger monthly loan payments than you thought, or it could show you that you need to cut back on nonessential spending so you can meet your loan obligations. For more information on budgeting, request a copy of ***Budgeting Pays Off After School*** from the Servicing Center.

The Servicing Center staff can also help you choose a repayment plan. Once you've considered your options, give the Servicing Center a call if you need advice. The Servicing Center staff can also arrange an alternative repayment plan for you if you document that you have special circumstances and that none of the other plans meets your needs.

Changing Plans

If you ever decide that the plan you selected no longer meets your needs, you can switch plans. The maximum repayment period for your new plan must be longer than the amount of time your loans have already been in repayment. Call or write the Servicing Center if you decide you want to switch plans.

Making Payments

For student loans (Direct Subsidized and Unsubsidized Loans), you begin your repayment period six months after you graduate, leave school, or drop below half-time enrollment. The six-month delay is called a grace period.

For Direct PLUS Loans, your first payment will be due no later than 60 days after the date the loan is fully disbursed. This may be while your child is still in school.

You will receive a billing statement each month for the first year of your repayment period. All your Direct Loans will be included on one statement, and one payment each month will cover all your loans. Once you have made 12 consecutive monthly payments on time, the Servicing Center will send you a book of monthly payment coupons.

Of course, you must keep the Servicing Center informed of any changes in your name and/or address so that your billing statements and coupon book will reach you. Remember that you are responsible for making your payments on time, regardless of whether you receive billing statements or a coupon book. The address to which you will be sending your payments is given on page 19, along with the Servicing Center's toll-free telephone number and correspondence address.

Calling for Help

Repaying your Direct Loans on time will help you establish or maintain a good credit rating. Of course, there may be times when you have trouble making payments—for example, if you are unemployed, if you become injured and can't work, or if you return to school. For these and other reasons, you can postpone making payments.

If you think you qualify for a postponement such as a deferment or forbearance, contact the Servicing Center. (See the Glossary on page 18 for definitions of "deferment" and "forbearance.") For more information on postponing repayment, request a copy of ***Bill Trouble? Don't Default ... Defer!*** from the Servicing Center.

A Federal Direct Consolidation Loan can also simplify repayment for some borrowers—especially those who have both Direct and non-Direct federal student loans. To receive a brochure on loan consolidation, call the Federal Student Aid Information Center at 1-800-4-FED AID (1-800-433-3243). Remember that any time you have a question or concern, the Servicing Center is there to help you at 1-800-848-0979.

Examples of Debt Levels, Beginning Monthly Payments, and Total Amounts Repaid for All Direct Loan Repayment Plans[1]

Initial Debt When Loan Enters Repayment	Standard		Extended		Graduated		Income Contingent[2]											
							Income=$15,000				Income=$25,000				Income=$45,000			
							Single		Married/HOH[3]		Single		Married/HOH[3]		Single		Married/HOH[3]	
	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total
$2,500	$50	$3,074	$50	$3,074	$25	$4,029	$18	$6,008	$17	$5,991	$23	$4,412	$22	$4,455	$29	$3,766	$28	$3,779
5,000	61	7,359	55	7,893	35	8,655	35	12,016	34	11,983	46	8,825	45	8,911	57	7,533	56	7,559
7,500	92	11,039	82	11,839	53	12,982	53	18,024	51	17,974	69	13,237	67	13,366	86	11,299	84	11,338
10,000	123	14,718	97	17,463	70	19,085	71	24,031	68	23,965	93	17,650	89	17,822	114	15,065	112	15,117
15,000	184	22,077	146	26,194	105	28,628	106	36,047	77	35,139	139	26,474	134	26,732	171	22,598	169	22,676
20,000	245	29,437	170	40,899	140	44,115	121	47,594	77	44,235	185	35,299	178	35,643	228	30,131	225	30,235
25,000	307	36,796	213	51,124	175	55,144	121	57,373	77	51,606	231	44,124	223	44,554	285	37,664	281	37,794
30,000	368	44,155	256	61,349	210	66,173	121	65,527	77	57,434	278	52,949	244	54,554	342	45,196	337	45,352
40,000	491	58,873	315	94,614	280	100,567	121	77,471	77	64,918	288	77,602	244	87,141	456	60,262	450	60,470
50,000	613	73,592	394	118,268	350	125,708	121	84,262	77	67,613	288	117,537	244	134,284	570	75,327	562	75,587
75,000	920	110,387	563	202,842	526	212,324	121	86,751	77	67,638	288	173,013	244	158,639	621	127,397	577	133,081
100,000	1,227	147,183	751	270,456	701	283,098	121	86,751	77	67,638	288	182,203	244	163,090	621	214,096	577	229,664

Notes: [1]Payments are calculated using the maximum interest rate for student borrowers, 8.25 percent.
[2]Assumes a 5 percent annual income growth (Census Bureau).
[3]HOH is Head of Household. Assumes a family size of two.

Commonly Asked Questions

1. ***Is there a penalty for repaying my loans early?***
   No. You may prepay all or part of the unpaid balance on any Direct Loan at any time without penalty. **Be careful to specify which loan you are prepaying.** The Servicing Center will apply the prepayment first to any charges or collection costs, then to interest, and last to principal. However, if your account is current, your prepayment is applied entirely to principal.

2. ***What happens if I don't pay back my loans?***
   Your loans will become delinquent and will eventually go into default. Default occurs when you are 180 days late making a payment. The consequences of default are serious and can include a damaged credit rating, loss of eligibility for further federal student aid, withholding of wages and tax refunds, and legal actions (such as lawsuits) being taken against you.

3. ***What happens if, as a parent, I'm already repaying a Direct PLUS Loan, then I take out another one for the same child? How does this affect my monthly payments?***
   The Servicing Center will send you one monthly bill for both loans. Depending on the repayment plan you have selected and the amount of your loans, your monthly payment may increase, or your repayment period may be extended when new loans are added to your account.

4. ***When will my payments be due each month?***
   You will receive a bill two weeks prior to your payment due date. The Servicing Center will inform you of your payment due date.

5. ***Will my payment history be reported to credit bureaus?***
   Yes. Your account balance and status will be reported to credit bureaus on a regular basis. While failing to repay your loan can damage your credit rating, repaying your loan responsibly can help you establish a good credit rating.

6. ***What happens if my Direct Subsidized and Unsubsidized Loans are in repayment and I decide to go back to school?***
   You may be eligible to postpone your loan payments with an in-school deferment if you are attending an eligible school at least half time. If you are attending less than half time and think you might have

difficulty repaying your loans, contact the Servicing Center. You may be able to obtain a forbearance to postpone your payments.

7. ***What should I do if something happens and I can't make my loan payments?***
   You should contact the Servicing Center immediately. A representative will assist you in choosing a new repayment plan, applying for a deferment or forbearance, or making other necessary adjustments to help ensure that your loan payments are affordable.

8. ***Can my loans ever be discharged?***
   Yes. A discharge releases you from all obligation to repay your loans. You can receive a discharge with proof of the following:
   - You become totally and permanently disabled. (This cannot be for a condition that existed at the time you applied for the Direct Loans, unless a doctor certifies that the condition substantially deteriorated after the loans were made.)
   - You are unable to complete a course of study because your school closed or because your eligibility was falsely certified by the school.
   - Your obligation to repay a loan is discharged in bankruptcy (in rare cases).
   - You die.

You may not avoid repaying your loans because you did not complete your program of study (for reasons other than school closure or false certification of loan eligibility), did not like your school or program of study, or did not obtain employment after completing your studies.

9. ***Can I consolidate my Federal Family Education Loan (FFEL) Program loans with my Direct Loans under the same repayment plan?***
   Yes. If you have other federal student loans, such as FFELs, in addition to your Direct Loans, you might want to consider a Federal Direct Consolidation Loan to simplify repayment. Consolidation means you need to make only one monthly payment to cover all your loans (including FFELs). You'll also get the benefits of Direct Loan consolidation, such as greater repayment flexibility. To apply for a Federal Direct Consolidation Loan, contact the Consolidation Department of the Direct Loan Servicing Center. The toll-free telephone number is 1-800-848-0982.

Glossary

capitalization	Adding accumulated interest to the loan principal rather than having the borrower make interest payments. Capitalizing interest increases the principal amount of the loan and the total cost of the loan.
deferment	A temporary postponement of payments on a loan.
discharge	The release of a borrower from the obligation to repay his or her loan.
forbearance	A postponement of payments or a reduction in monthly payment amounts for a limited and specified period of time during which a borrower is willing but unable to make loan payments. A forbearance may also be an extension of the repayment period. All borrowers are charged interest during forbearance.
grace period	A six-month period before the first payment must be made on a Direct Subsidized or Unsubsidized Loan. The grace period begins the day after the borrower ceases to be enrolled at least half time.
interest	An expense of borrowing money that is calculated as a percentage of the amount borrowed.
postponement	See “deferment” and “forbearance.”
principal balance	The amount owed on a loan or loans at any given time. The principal balance may include capitalized interest.
repayment period	The period during which a borrower is obligated to make payments on his or her loan(s).

Direct Loan Servicing Center Telephone Numbers and Addresses

Toll-Free Telephone Numbers

Hours of Operation:	8 a.m. - 8:30 p.m. (Eastern Time) Monday through Friday
For payment information and inquiries:	**1-800-848-0979**
TDD:	**1-800-848-0983**
For information about Direct Consolidation Loans:	**1-800-848-0982**

Addresses

For payments:	Direct Loan Payment Center P.O. Box 78451 Phoenix, AZ 85062-8451
For correspondence:	Borrower Services Department Direct Loan Servicing Center P.O. Box 4609 Utica, NY 13504-4609

Notes:

Appendix:

Calculating Your Direct Loan Monthly Payment

CONSTANT MULTIPLIER CHARTS

The constant multiplier is a factor that allows you to estimate your monthly payment under each Direct Loan repayment plan. Because the constant multiplier is calculated on the basis of an annual interest rate, it will change as the interest rate on your loan changes.

Instructions for using the Constant Multiplier Charts:

1. Determine the current interest rate on your Direct Loan.* If you do not know the interest rate, you can obtain this information by calling the Direct Loan Servicing Center at 1-800-848-0979.
2. Select the repayment plan for which you want to calculate your estimated monthly payment.
3. On the chart for that repayment plan (beginning below), find your interest rate. If your exact interest rate is not listed, choose the next highest rate. (For example, if the current rate were 7.62 percent, you would select 7.75 percent.) You'll find your constant multiplier in the cell below your interest rate.
4. If you are calculating an estimated monthly payment for the Extended Repayment Plan, find the row on that chart that corresponds to the repayment period on your loan. (See page 6.) You will find your constant multiplier in the cell where the *Interest Rate* column and *Repayment Period* row cross.

*For the period July 1, 1995, to June 30, 1996, the interest rate for Direct Subsidized and Unsubsidized Loans is 8.25 percent; by law, the interest rate cannot exceed 8.25 percent. For the same period, the interest rate for Direct PLUS Loans was 8.98 percent; by law, the interest rate cannot exceed 9 percent.

Chart A: Standard Repayment Plan

Interest Rate	7.0%	7.25%	7.43%	7.5%	7.75%	8.0%	8.25%	8.38%	8.5%	8.75%	9.0%
Constant Multiplier	.0116108	.0117401	.0118337	.0118702	.0120011	.0121328	.0122653	.0123345	.0123986	.0125327	.0126676

Chart B: Extended Repayment Plan

Length of Repayment Period (in years)	Interest Rate										
	7.0%	7.25%	7.43%	7.5%	7.75%	8.0%	8.25%	8.38%	8.5%	8.75%	9.0%
12	.0102838	.0104176	.0105145	.0105523	.0106879	.0108245	.0109621	.0110340	.0111006	.0112400	.0113803
15	.0089883	.0091286	.0092304	.0092701	.0094128	.0095565	.0097014	.0097772	.0098474	.0099945	.0101427
20	.0077530	.0079038	.0080132	.0080559	.0082095	.0083644	.0085207	.0086024	.0086782	.0088371	.0089973
25	.0070678	.0072281	.0073444	.0073899	.0075533	.0077182	.0078845	.0079716	.0080523	.0082214	.0083920
30	.0066530	.0068218	.0069443	.0069921	.0071641	.0073376	.0075127	.0076043	.0076891	.0078670	.0080462

Chart C: Graduated Repayment Plan

Interest Rate	7.0%	7.25%	7.43%	7.5%	7.75%	8.0%	8.25%	8.38%	8.5%	8.75%	9.0%
Constant Multiplier	.0059452	.0061575	.0063104	.0063699	.0065822	.0067945	.0070068	.0071173	.0072192	.0074315	.0076438

Chart D: Income Contingent Repayment Plan

Interest Rate	7.0%	7.25%	7.43%	7.5%	7.75%	8.0%	8.25%	8.38%	8.5%	8.75%	9.0%
Constant Multiplier	.0102838	.0104176	.0105145	.0105523	.0106879	.0108245	.0109621	.0110340	.0111006	.0112400	.0113803

Chart E: Income Percentage Factors
(Based on Annual Income)

Single		Married and Head of Household	
Income	% Factor	Income	% Factor
$7,470	55.45%	$10,360	55.00%
10,000	57.75%	11,510	56.68%
10,037	57.79%	13,718	59.56%
12,915	60.57%	15,000	62.06%
15,000	64.58%	17,933	67.79%
15,859	66.23%	20,000	71.37%
18,670	71.89%	22,216	75.22%
20,000	75.05%	25,000	81.28%
22,216	80.33%	27,904	87.61%
25,000	84.46%	30,000	91.27%
27,904	88.77%	34,997	100.00%
30,000	92.09%	40,000	100.00%
34,997	100.00%	42,090	100.00%
40,000	100.00%	50,000	106.99%
42,090	100.00%	52,730	109.40%
50,000	110.98%	60,000	115.80%
50,588	111.80%	70,000	124.59%
60,000	119.56%	70,462	125.00%
64,775	123.50%	80,000	130.99%
70,000	126.93%	90,000	137.28%
80,000	133.49%	95,288	140.60%
90,000	140.06%	100,000	141.77%
91,742	141.20%	133,264	150.00%
100,000	146.60%	150,000	159.90%
105,192	150.00%	200,000	189.49%
150,000	177.26%	217,763	200.00%
187,364	200.00%		

Chart F: Poverty Guidelines

How to use this chart: First, determine your family size. Your family size is the number of people whom you support. Include yourself and your spouse. Include your children if they get more than half their support from you. Include other people only if they meet all of the following criteria:

- They live with you.
- They now get more than half their support from you.
- They will continue to get this support from you.

Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care, payment of college costs, and so on.

Next, find the column that represents your place of residence. Read down to your family size. This is the poverty guideline for you.

Family Size	All states (except Alaska, Hawaii) and the District of Columbia[1]	Alaska[2]	Hawaii[3]
1	$7,740	$9,660	$8,910
2	10,360	12,940	11,920
3	12,980	16,220	14,930
4	15,600	19,500	17,940
5	18,220	22,780	20,950
6	20,840	26,060	23,960
7	23,460	29,340	26,970
8	26,080	32,620	29,980

[1]For family units with more than eight members, add $2,620 for each additional member.
[2]For family units with more than eight members, add $3,280 for each additional member.
[3]For family units with more than eight members, add $3,010 for each additional member.

Information provided by the U.S. Department of Health and Human Services, 1996.

Direct Subsidized and Unsubsidized Loan Worksheet Part 1

This two-part worksheet allows you to compare the monthly payments you would make with each Direct Loan repayment plan. The principal balance is the total amount you owe when your loans enter repayment, which includes any capitalized interest. Charts you will need can be found on pages A-1 through A-4 of this appendix.

Standard Repayment Plan

You can estimate your monthly payments under the Standard Repayment Plan by multiplying your principal balance by the constant multiplier (from Chart A) that corresponds to your interest rate.

Principal Balance	multiplied by	Constant Multiplier from Chart A	equals	Estimated Monthly Payment (must be at least $50)
$________	X	________	=	$________

Extended Repayment Plan

You can estimate your monthly payments under the Extended Repayment Plan by multiplying your principal balance by the constant multiplier (from Chart B) that corresponds to your interest rate.

Principal Balance	multiplied by	Constant Multiplier from Chart B	equals	Estimated Monthly Payment (must be at least $50)
$________	X	________	=	$________

Graduated Repayment Plan

You can estimate your *beginning* monthly payment under the Graduated Repayment Plan by multiplying your principal balance by the constant multiplier (from Chart C) that corresponds to your interest rate. Using this factor to calculate your monthly payment will ensure that your payment covers the monthly interest on your loans. *However, your monthly payment must be at least one half of what you would pay under the Standard Plan*. (See the calculation above.) Your monthly payment will be the larger of the two amounts.

Principal Balance	multiplied by	Constant Multiplier from Chart C	equals	Estimated Beginning Monthly Payment
$________	X	________	=	$________

Direct Subsidized and Unsubsidized Loan Worksheet Part 2

Income Contingent Repayment Plan

Step 1

Multiply your principal balance by the constant multiplier (from Chart D) for the interest rate on your loans.

Principal Balance	multiplied by	Constant Multiplier from Chart D	equals	Result
$________	X	________	=	$________

Step 2

Next, multiply the result from Step 1 by the income percentage factor (from Chart E) that corresponds to your income.

Step 1 Result	multiplied by	Income Percentage Factor from Chart E	equals	Result
$________	X	________	=	$________

Step 3

Calculate your discretionary income, which is AGI minus the poverty guideline (from Chart F) for your family size.

AGI	minus	Poverty Guideline from Chart F	equals	Discretionary Income
$________	–	________	=	$________

Step 4

Multiply your discretionary income by 20 percent.

Discretionary Income	multiplied by	.2	equals	Result
$________	X	________	=	$________

Step 5

Divide the Step 4 result by 12 months.

Step 4 Result	divided by	12 months	equals	Result
$________	÷	________	=	$________

Step 6

Compare the Step 2 result with the Step 5 result. The lower amount is your monthly payment. If this amount is greater than $0 but less than $5, you are required to make a $5 payment.

Step 2 Result	Step 5 Result	Estimated Monthly Payment
$________	________	$________

Direct PLUS Loan Worksheet

If you are a parent, this worksheet allows you to compare the monthly payments you would make with each available Direct Loan repayment plan. The principal balance is the total amount you owe when your loans enter repayment, which includes any capitalized interest. Charts you will need can be found on pages A-1 through A-4 of this appendix.

Standard Repayment Plan

You can estimate your monthly payments under the Standard Repayment Plan by multiplying your principal balance by the constant multiplier (from Chart A) that corresponds to your interest rate.

Principal Balance	multiplied by	Constant Multiplier from Chart A	equals	Estimated Monthly Payment (must be at least $50)
$________	X	________	=	$________

Extended Repayment Plan

You can estimate your monthly payments under the Extended Repayment Plan by multiplying your principal balance by the constant multiplier (from Chart B) that corresponds to your interest rate.

Principal Balance	multiplied by	Constant Multiplier from Chart B	equals	Estimated Monthly Payment (must be at least $50)
$________	X	________	=	$________

Graduated Repayment Plan

You can estimate your *beginning* monthly payment under the Graduated Repayment Plan by multiplying your principal balance by the constant multiplier (from Chart C) that corresponds to your interest rate. Using this factor to calculate your monthly payment will ensure that your payment covers the monthly interest on your loans. *However, your monthly payment must be at least one half of what you would pay under the Standard Plan.* (See the calculation above.) Your monthly payment will be the larger of the two amounts.

Principal Balance	multiplied by	Constant Multiplier from Chart C	equals	Estimated Beginning Monthly Payment
$________	X	________	=	$________

Contents